

# FocusNote

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The Focus Note Series is CGAP's primary vehicle for dissemination to governments, donors, and private and financial institutions on best practices in microfinance.

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1818 H Street, NW  
Washington DC 20433

Tel: 202.473.9594  
Fax: 202.522.3744

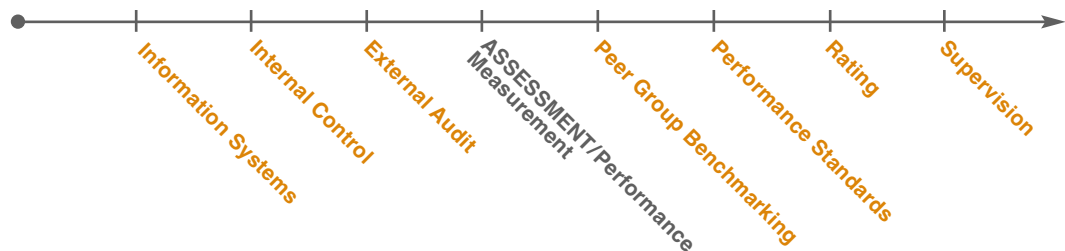
e-mail:  
[Cgap@worldbank.org](mailto:Cgap@worldbank.org)

[www.cgap.org](http://www.cgap.org)

## RESOURCE GUIDE TO MICROFINANCE ASSESSMENTS

This Resource Guide compares five of the better known microfinance institution (MFI) assessment services, and describes the challenges facing such assessments. It is part of a trilogy of CGAP reports on financial transparency in the microfinance sector, and should be used in combination with the other two: *Focus on Financial Transparency* describes the activities of CGAP and other industry players in this area, while *Financial Transparency: A Glossary of Terms* defines the often confusing terms related to financial transparency.

### Financial Transparency: an MFI's Information Sequence



### The Place of Assessment on the Financial Transparency Sequence

Financial transparency is about the production, testing, dissemination and use of information related to an MFI's financial performance. Beginning with an MFI gathering and reporting accurate information, the sequence extends to verifying the information, then to analyzing, comparing, and judging the performance described by that information, and finally to supervising the MFI to ensure that it complies with applicable standards. As the initial steps, management information systems (MIS) and internal control are responsibilities of the MFI itself, while the remainder of the steps are done by external parties. External auditors simply verify the information reported in the MFI's financial statements. Assessment or rating services analyze and evaluate or rate that performance, sometimes using industry databases to compare the MFI with similar institutions. Supervisors are authorities, usually governmental, responsible for insuring acceptable performance.

This note focuses on assessment methodologies for microfinance institutions. Assessments are holistic evaluations of MFIs' financial and overall performance. Assessments are offered by microfinance networks as a management tool for their affiliates. Likewise, donors and investors use assessments in making decisions about whether to fund an MFI.

Assessments sometimes include benchmarking—comparisons of the institution’s performance with that of peer groups defined by size, age, methodology, clientele, or region of operations, and may issue a quantitative rating.

Public credit risk rating services, such as Standard and Poor’s or Moody’s Investor Services, measure and publicly disclose the likelihood of timely debt repayment—that is, the ability and willingness of a borrower to meet a debt obligation. Their methodologies are driven by credit risk with heavy weight given to capital adequacy, liability structure, liquidity, portfolio quality and external factors affecting debt capacity. These rating agencies assign credit risk ratings not on the borrowers themselves but on particular public or private debt issues and different ratings are assigned for long versus short-term debt. (Ratings in the absence of or in anticipation of a public borrowing are “implied ratings” that are not confirmed until the time of the borrowing.)

Microfinance “rating agencies” don’t necessarily operate this way. They may assign a rating—a score or grade—to indicate the financial or overall quality of an institution. However, microfinance evaluators don’t generally provide *credit risk* assessments that go beyond a general evaluation of the MFI’s likelihood of repayment, and, they do not always disclose their assessments publicly—with or without the consent of the MFI—for use by investors.

The microfinance rating and evaluation landscape is changing quickly. A number of MFI evaluation agencies are starting to form alliances with commercial rating agencies to offer credit risk rating products. PlaNet Finance is currently developing a credit rating product for MFIs with the assistance of Fitch, an international rating agency. MicroRate is working on a joint venture with GRC, a South African rating agency, which may result in offering credit risk rating for MFIs.

Traditional commercial rating agencies are also moving down market. Pacific Credit Rating in Panama has developed an MFI rating scale. Apoyo Asociados

is offering credit risk rating to MFIs in Peru. CRISIL, India’s premier rating agency, has rated several MFIs.

### Comparison of Microfinance Assessment Methodologies

Some of the better-known microfinance assessment methodologies have been developed by private institutions to assess any type of MFI on behalf of any type of client. Other methodologies were developed more for internal purposes, to be used within the institution itself or its network. This section describes five of the better-known methodologies: ACCION’s CAMEL, WOCCU’s PEARLS, PlaNet Rating’s GIRAFE, and the methodologies of MicroRate and M-CRIL.

**ACCION CAMEL.** Founded in 1961, ACCION International aims to reduce poverty in North and South America by providing small loans through its affiliates in 15 Latin American countries, 4 African countries, and 29 U.S. cities. ACCION advises its affiliates in areas such as credit methodology, business planning, financial management, and marketing. Its headquarters are in Boston, Massachusetts.

North American bank regulators adopted the original CAMEL methodology to evaluate U.S. commercial lending institutions. Based on that methodology, ACCION developed its own instrument in 1993 to evaluate MFI performance. ACCION has used its version of the CAMEL with MFIs that are, or plan to become, members of its network. More recently, ACCION has taught its CAMEL to bank supervisors and second-tier (wholesale level) development bankers. To date, ACCION has used CAMEL primarily as an internal assessment and management tool. CAMEL is widely considered as a roadmap for MFIs that want to become licensed as formal financial intermediaries. ACCION has used its CAMEL nearly 50 times, all in Latin America except for single exercises in Africa and India.

*Methodology.* CAMEL is the acronym for five key aspects of an MFI’s performance: *c*apital adequacy, *a*sset

quality, *management*, *earnings*, and *liquidity* management. While the ACCION CAMEL issues a composite score, similar to a rating, it is not meant to measure credit risk. The final score ranges from 0 to 5, or D to AAA. MFIs scoring below 2 should not be operating a lending business. Scores from 2 to 3 indicate MFIs with fundamental weaknesses that must be corrected. A technical guide for the ACCION CAMEL is available from ACCION (<http://www.accion.org/pubs/main.asp>) and from USAID's Microenterprise Best Practices Project (<http://www.mip.org/pubs/mbp/camel.htm>).

*Process.* The assessment typically involves a team of two to three analysts from ACCION's Bogotá and Boston offices. A financial performance data questionnaire and a list of required documents are sent in advance to the affiliate. The on-site evaluation includes interviews with management, staff, and clients at the main office and branches, and concludes with a debriefing to share preliminary results with management and directors. The output is a detailed evaluation report and score. The exercise takes an average of 10 days in the field, with total evaluation time estimated to be about a month.

*Disclosure.* CAMEL results are confidential, to be disclosed only with the express approval of both the MFI and ACCION International. Results have been shared with some private investors, donors and regulators.

**WOCCU PEARLS.** The World Council of Credit Unions (woccu), headquartered in Madison, Wisconsin, is a non-profit organization that promotes the development of financial cooperatives. Its membership embraces more than 36,000 credit unions serving 108 million members in 91 countries. Although woccu does not deal exclusively in microfinance, three-fifths of its credit unions are in developing countries, and many of these credit unions serve substantial proportions of poor clients.

*Methodology.* PEARLS is a set of 45 financial ratios used to evaluate and monitor the financial stability of credit

unions within woccu. The ratios that are grouped under six areas of financial performance: *protection*, *effective financial structure*, *asset quality*, *rates of return and costs*, *liquidity*, and *signs of growth*. The PEARLS methodology is driven by financial performance. woccu believes that overall institutional performance is best measured by quantitative results. Thus, PEARLS does not explicitly address management, though an institution's financial performance obviously says a great deal about its management.

PEARLS is primarily an early warning system for internal use by management. However, credit union regulators have also found it useful. It does not require modification of financial statements by complex adjustments for inflation or subsidy. It does, however, analyze the areas that are affected by inflation and subsidy so that management can make better informed decisions to improve financial performance. A current technical guide for PEARLS is available from woccu at its website, [www.woccu.org](http://www.woccu.org).

*Process.* About 200 credit unions, half of them in Latin America, send woccu monthly or quarterly PEARLS information.<sup>1</sup> While woccu does not verify the accuracy of each report, the information supplied by participating credit unions is generally subject to external audit.

*Disclosure.* The PEARLS reports are disclosed only to member credit unions, to their national associations, and within woccu.

**PlaNet Rating's GIRAFE.** PlaNet Rating is a branch of PlaNet Finance, an international non-profit organization based in Paris whose goal is to use the potential of the internet to promote microfinance. PlaNet Finance uses the internet both as a platform to offer

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<sup>1</sup> woccu is in the process of setting up a central database at its headquarters to start monitoring trends around the world. Operational by the end of 2001, this database will initially focus on annual data before looking at quarterly flows.

its services to MFIs, NGOs and other stakeholders, and as a tool to enable its network of specialists throughout the world to work together.

PlaNet Rating offers four basic services: ratings (through the appraisal and rating methodology GIRAFE), dissemination of ratings on the internet (if the MFI and donor agree), training on the GIRAFE methodology and benchmarks, and consultancy work for apex (wholesale) institutions.

Despite its name, PlaNet Rating does not currently rate the credit risk of an MFI and make it available to investors. It has, however, recently initiated a pilot project to align its methodology with that of Fitch, one of the main international rating agencies.

To date, PlaNet Rating has conducted more than 30 ratings in 10 countries. Its main clients are donors (the French development agency, the Brazilian National Development Bank), private investors (Blue Orchard, Financial Bank), international NGOs (mainly CARE and VITA) and MFIs themselves.

*Methodology.* GIRAFE's 26 indicators are grouped under six areas of risks: *g*overnance and decision making process, *i*nformation and management tools, *r*isk analysis and control, *a*ssets including loan portfolio, *f*unding (equity and liabilities), and *e*fficiency and profitability. E and F are the two biggest drivers of the appraisal, followed by G. GIRAFE is based more on qualitative factors (57 percent) than quantitative factors (43 percent). Each factor is weighted and leads to a scoring. PlaNet Rating issues a composite scoring ranging from 0 to 5 for each of the six areas.

Among the evaluation methodologies described in this paper, GIRAFE gives the most weight to "fiduciary" risk—how an institution is governed, and whether it may fail to meet investors' and shareholders' expectations because of inadequacies in systems, processes, and organization. The methodology focuses more on management than on risk. The output is a detailed evaluation report supporting the ratings assigned.

PlaNet Rating has few permanent professionals on

staff to conduct MFI assessments. It has tried to address this problem by working with local auditors in order to build local knowledge and lower the costs of missions. Use of external auditors increases the risk of misinterpretation of the assessment criteria. To address this risk, PlaNet is training and certifying local auditors to form a network of specialists.

An outline of the GIRAFE methodology is available on PlaNet Rating's website at <http://www.planetfinance.org/fr/rating/index.htm>.

*Process.* PlaNet Rating's process is similar to that of other microfinance assessment agencies: a questionnaire is sent to the MFI, followed by an on-site appraisal that includes meetings with management, staff, directors, and clients; a thorough review of the MFI's operations; and debriefing for management and board. The on-site process takes about 10 days, and the total evaluation time is about three weeks.

*Disclosure.* If the MFI and the client agree, the report is put online so that the MFI can receive international recognition and exposure. These reports are available free of charge on PlaNet Rating's website.

**MICRORATE.** MicroRate, a limited liability company, is the oldest organization established specifically to evaluate MFI performance. Based in Washington D.C., it was created in 1996 with initial funding by the Swiss International Development Agency. Its main clients are donor agencies, MFIs, and private investors. Most of its assessments have been requested by donor agencies as part of their funding decisions, although an increasing number of MFIs have been willing to pay for an assessment themselves—a strong sign that they find the assessment useful either to improve their operations or to strengthen their attractiveness to external funders. MicroRate has done about 70 assessments so far, most of them in Latin America.

Despite its name, MicroRate does not provide real ratings but rather offers a rationale for an opinion on the MFI's creditworthiness. MicroRate also provides

industry peer comparisons, based on benchmark data gathered from 30 leading Latin American MFIs at six-month intervals for as much as the last five years. As it pursues legal recognition in its regions of operations, MicroRate is collaborating with the international credit rating agency GCR to developing a scoring system for MFIs.

*Methodology.* MicroRate's methodology focuses on how the various risks of MFI operations affect an institution's creditworthiness. The main components of this methodology are (i) identifying key risk areas and their drivers; (ii) comparing the MFI's performance with that of its peers on an adjusted basis; and (iii) making this information available to the market where possible.

To do this, MicroRate looks at three major areas: lending operations and portfolio quality, organization and MIS, and financial performance. The key factors driving the evaluation are efficiency, asset quality, growth, and profitability. In addition, qualitative factors including management and governance contribute to the opinion. MicroRate then issues an opinion of creditworthiness that is summarized as "Recommend," "Watch," or "Caution."

MicroRate's approach is strong on financial trends and benchmarking against peers. The report style is generally well-balanced in both factual and performance analysis. The report is accompanied by a confidential management letter. MicroRate considers its evaluation methods to be proprietary and does not publish its guidelines. However, further description of its areas of focus can be found on its website at [www.microrate.com](http://www.microrate.com).

*Process.* MicroRate spends an average of five days on site with two analysts, ending with a debriefing for the MFI's management.

*Disclosure.* The output for the client is a short analytical report on the strengths and weakness of the MFI, benchmark comparisons with a peer group, and a credit opinion. A one-page report summary is available to the public on MicroRate's website, although

the full rating report itself is held in confidence between MicroRate, the MFI, and any third party named by the MFI. MFIs can request updated reports based on more recent financial information.

**M-CRIL.** Micro-Credit Ratings and Guarantees India Ltd (M-CRIL) is a public limited company and a subsidiary of EDA Rural Systems, a development management consultancy based in Gurgaon, India. Established in 1998, M-CRIL conducts MFI ratings as well as specialized analytical studies of the microfinance sector and is the only microfinance rating agency in Asia. Its main clients are wholesale lenders, MFIs, private investment firms, and donors.

The Ford Foundation supported the initial development and testing of M-CRIL's methodology. In addition to 14 studies of MFIs done in developing its methodology, M-CRIL has rated about 90 MFIs to date, mainly in South Asia. These MFIs include NGOs, non-bank financial companies, urban cooperative banks, and cooperative societies. M-CRIL has compiled the information from these ratings into a database that it used to analyze the performance of South Asian microfinance in the *M-CRIL Report, 2000*.

*Methodology.* M-CRIL's evaluation produces a rating opinion that is geared more towards credit risk and repayment capacity. The main focus is on 30 indicators that are analyzed against norms to arrive at different grades. The indicators cover three main areas: organizational and governance aspects, managerial and resource strength, and financial performance (including credit performance and asset quality, mobilization of funds, liquidity, sustainability, and profitability). The indicators are weighted to produce composite scores. M-CRIL's report also includes analysis of the strengths and weaknesses of the MFI and recommendations for improvement, along with benchmarking of a few key parameters against MFIs in M-CRIL's existing database.

*Process.* The evaluation centers around on-site discussions with the MFI's management, staff, and clients,



ending with a debriefing for the MFI. The exercise typically takes about 18 person-days, with two analysts spending four or five days in the field. These numbers can be higher for larger or more geographically dispersed MFIS.

*Disclosure.* Like MicroRate, M-CRIL considers its evaluation methodology as proprietary and does not publish its guidelines. Rating reports are confidential and distributed only with the MFI's approval. A description of rating symbols and sample MFI rating reports can be found on M-CRIL's website at <http://www.edarural.com/m-cril.html>.

The table at the end of this note, *Five Microfinance Assessment Methodologies*, summarizes the methodologies.

## Key Challenges Facing Microfinance

### Assessments

Microfinance assessments can contribute to improving transparency in microfinance. However, several challenges require attention: improving information, standardizing indicators and definitions, increasing the frequency of assessments, and reducing their costs. For information about work on these and other challenges to transparency by CGAP and others, see the brochure *Focus on Financial Transparency*, available on the CGAP website ([www.cgap.org](http://www.cgap.org)).

### Improving information

Microfinance assessments begin with the information provided by the MFI in its financial statements and operational records. However, this information is not always accurate or complete. The industry has much work to do in developing appropriate and reliable internal information systems, as well as strengthening internal controls and audits.

External audits of MFIS need drastic improvement: extremely few MFI audits include sufficient testing to reliably assure that reported financial information is correct. This is particularly true with respect to loan repayment: while portfolio quality is the source of 90

percent of an MFI's risk, it can only be tested by methods that are quite different from those that auditors use to test portfolio of conventional banks. Most external audit firms lack experience in microfinance. Non-profit institutions generally pay little for audits and are not attractive long-term clients for large firms, who as a result often assign their least experienced staff to MFIS. MFIS and donor organizations themselves must require a higher standard for the work done by audit firms if the quality of information is to be substantially enhanced.<sup>2</sup>

### Standardizing indicators and their definitions

Currently, eight assessment organizations use more than 170 indicators to evaluate MFIS. Among 32 indicators with definitions that are shared by more than one evaluation agency, only five are defined the same way by more than two evaluators. Widely agreed definitions exist only for average loan balance, operational efficiency, adjusted return on assets, adjusted return on equity, and return on average assets. These surprising figures reflect a wide variety of cultures, practices, definitions, and calculation methods. The resulting confusion leads to frequent misinterpretation of indicators. A seemingly slight change in the definition or calculation of an indicator can make a big difference in how the indicator should be interpreted.<sup>3</sup> The maze of definitions also makes reporting more difficult and costly for MFIS, which often have to tailor multiple reports for different funders. Definitions of indicators will have to be clarified and standardized so the microfinance industry will have a language for evaluation that everyone can speak and understand.

<sup>2</sup> For a detailed treatment of MFI audits, see *External Audits of Microfinance Institutions: A Handbook* (CGAP Technical Tool Series, No. 3, Washington D.C., 1998).

<sup>3</sup> For striking illustrations of the importance of definitional precision in portfolio quality indicators, see "Measuring Microcredit Delinquency: Ratios Can Be Harmful to Your Health" (CGAP Occasional Paper No. 3, Washington, D.C. 1999).

### *Increasing frequency of reporting*

MFI assets tend to be short term, with loan terms as short as three months. Because microloans are typically unsecured, loan repayment can be much more volatile in MFIs than in commercial banks. Thus, MFIs' financial position can deteriorate seriously over the course of a month or two. In light of this, the prevailing reporting cycles for MFIs—quarterly, semi-annual, or even yearly—are often not frequent enough. This pattern makes it hard to monitor MFIs effectively.

However, this situation is slowly changing. Cyranolacif, a private investment fund for Latin American MFIs, and Dexia Asset Management (Dexiam), a European asset management company, make monthly reports on key financial indicators a condition for funding. At the same time, some networks like ACCION and the Small Enterprise Education Promotion (SEEP) have introduced low-cost reporting systems to complement periodic assessments.

### *Reducing costs of assessments*

MFI assessments are very costly. The cost of rating an MFI according to best standards is estimated by ACCION, MicroRate and PlaNet Finance at between US\$5,000 to US\$25,000 (the low end represents a rating renewal and the high end is typical for first-time ratings in Africa). The cost covers the team of analysts, including salaries, travel expenses, management, administrative support, etc. So far, microfinance assessment agencies have not developed a sustainable business model or drawn a large enough clientele for their services. MicroRate covers operating costs through a combination of commercial fees and subsidies from various donor organizations; its full overhead is not close to being covered by operating revenues. The challenge for the agencies is to re-engineer their assessment systems, reducing costs without undue reductions in quality standards.

Building a strong and dependable body of analysts is the highest hurdle. It is extremely costly to maintain

a team of well-qualified analysts, in the context of low rating fee revenues and high travel costs. While rating agencies have sometimes relied on part-time consultants to reduce costs, such consultants may not be able to get the experience necessary for a strong understanding of microfinance operations.

Several avenues might hold promise for reducing assessment costs:

**Internet platforms** could reduce costs by allowing MFIs to report and analysts to communicate more easily and frequently. The microfinance rating sites available today are more promotional platforms than operational tools.

**Strategic alliances** could reduce costs as assessment agencies collaborate or even merge with others. Collaboration with local audit firms can also save costs, as long as the quality of the assessment can be protected.

**Building regional capacity** is another important option. ACCION's CAMEL team in Colombia has come to replace the internationally based team that developed the CAMEL system. M-CRIL in India is a regionally based company and has a far lower cost per rating than others. MicroRate is opening subsidiaries in Africa and Latin America. In a few countries, this capacity is being developed locally to support the needs of apex organizations, bank regulators, or microfinance networks.

FIVE MICROFINANCE ASSESSMENT METHODOLOGIES					
	ACCION CAMEL	WOCCU PEARLS	PLANET RATING GIRAFE	MICRORATE	M-CRIL
BASIC INFORMATION					
Purpose of evaluation	Internal tool for management, board, and network	Ongoing performance monitoring by management, and external supervisors	Measurement and control of risk	Evaluate MFIs' credit risk for potential investors and creditors  Influence MFIs' behavior  Compare MFIs' performance	Measure and evaluate MFIs' credit risk for potential investors and creditors  Provide inputs that influence MFI behavior  Generate a database with verified information on MFI performance for benchmarking purposes
Main clients	ACCION affiliates. More recently, bank supervisors and second-tier institutions	Affiliated credit unions, leagues, and CU regulators	Donors (AFD, BNDES), investors (Blue Orchard, Financial Bank), creditors, NGOs (CARE, VITA) and MFIs	Donors (50%), MFIs (30%), investors (20%)	Wholesale lenders, donors, MFIs, and recently, private banks and investment firms
Number of reviews conducted (& 12-month potential)	Almost 50 reviews carried out	Presently installed in over 180 CUs in 29 countries	Over 20 through 2000. Potential for next 12 months: 30	70 conducted so far, including 27 current with regular updating. Potential for next 12 months: 50 in Latin America and Africa	Over 100, including testing stage. Potential for next 12 months: 50-60 in Asia
METHODOLOGY					
Key feature of methodology	Roadmap to MFIs seeking to become formal financial intermediaries	Pinpoints key financial strengths and weaknesses	Detailed rating opinion but unclear definition of risk level	Creditworthiness- (Recommend/Watch/Caution) and rationale; benchmarking and peer group comparison.	Clear rating opinion on specific debt issues
Number and organization of criteria	21 indicators under 5 areas: <b>C</b> apital adequacy, <b>A</b> sset quality, <b>M</b> anagement, <b>E</b> arnings, <b>L</b> iquidity management	45 indicators in 6 areas: <b>P</b> rotection, <b>E</b> ffective financial structure, <b>A</b> sset quality, <b>R</b> ates of return and costs, <b>L</b> iquidity, and <b>S</b> igns of growth	26 factors under 6 areas: <b>G</b> overnance and decision making, <b>I</b> nformation and management tools, <b>R</b> isk analysis and control, <b>A</b> ctivities and loan portfolio, <b>F</b> unding, <b>E</b> fficiency and profitability	3 major areas: Lending operations, Organization/MIS, Financial position	30 indicators grouped under 3 areas: Organizational and governance aspects, Managerial and resource strengths, Financial performance



	ACCION CAMEL	WOCCU PEARLS	PLANET RATING GIRAFE	MICRORATE	M-CRIL
METHODOLOGY					
Rating scale	Letter grades from AAA (highest) to D. Numeric grades from 5.0 to 0.0	No composite rating (though one is being designed). CUs may be ranked according to financial performance standards, or compared to any group of credit union peers	10 grades including an * plus a trend factor (expressed by + or ++) for the next six months, based on strengths and weaknesses	MicroRate does not provide a score, though it is working to develop one. It does provide recommendations in situations	10 grades including + and signs for higher/lower grades, with a strengths and weaknesses table. Includes recommendations for improvements
Approach bias	Strong on management, profitability, and benchmarking practices	Strictly financial. Includes comprehensive financial analysis.	Strong on management, governance, and best practices	Strong on financial track record and benchmarking against peers	Strong on capacity constraints based on specific issues
Qualitative vs. quantitative	More qualitative (53%) than quantitative (47%). Original CAMEL was 70% quantitative.	All quantitative	More qualitative (57%) than quantitative (43%). More weight to fiduciary risk.	More quantitative than qualitative	More quantitative than qualitative
Reports	Very comprehensive	Ratios are computerized and printed on one page. Additional financial and statistical information available at user discretion.	Exhaustive factual detail	Short analytical report with benchmarking comparisons. Well-balanced in both factual and performance analysis.	Clear opinion on creditworthiness with highlights under each topic

	ACCION CAMEL	WOCCU PEARLS	PLANET RATING GIRAFE	MICRORATE	M-CRIL
METHODOLOGY					
Limitations		No qualitative evaluation	Reliance on external consultants	Relatively little judgmental input	Light on factual tables
PROCESS					
Staff	2 full-time analysts in Bogotá, Colombia with support from local supervisor and Boston HQ	One person can manage entire database.	3 full-time staff, plus local certified part-time auditors	9 staff, including founder and 6 analysts. African evaluations are conducted jointly with a professional rating agency, GRC. Partnership with local rating agency to be extended to Latin America.	8 staff, including founder and 7 analysts. Draws input from a professional Rating Committee comprised of development and finance experts.
Implementation steps	<p>Sending financial questionnaire &amp; required document list</p> <p>On-site analysis</p> <p>Interviewing management and staff</p> <p>Visit of branches</p> <p>Meeting clients</p> <p>On-site debriefing to senior management and Board</p> <p>Descriptive rating report</p>	No on-site visit. Financial information is entered into standardized data entry screens. (Financial data should be confirmed by credible external audit.)	<p>Sending questionnaire</p> <p>Study of background information</p> <p>Meeting with management, staff, directors and clients on site</p> <p>Review of operations</p> <p>Management debriefing on initial results</p> <p>Descriptive rating report</p> <p>Confidential management letter</p>	<p>Sending questionnaire</p> <p>Study of background information</p> <p>Meeting management on site</p> <p>Operation review</p> <p>Management debriefing on initial results</p> <p>Descriptive rating report</p> <p>Confidential management letter</p> <p>One-year tracking, including 2 semi-annual reports available for \$1,000</p>	<p>Study of background information</p> <p>Meeting management on site</p> <p>Meeting borrower groups</p> <p>Discussions at staff level</p> <p>Operations review</p> <p>Data analysis and draft report preparation</p> <p>Descriptive rating report</p> <p>Recommendation for lending to MFIs based on risk assessment and absorption potential</p> <p>Draft report sent for comments to MFI</p> <p>Present to external rating committee for final review</p>

	ACCION CAMEL	WOCCU PEARLS	PLANET RATING GIRAFE	MICRORATE	M-CRIL
PROCESS					
Time spent on-site and total time for assessment	Average of 10 days in field, + 5 more days before and 5 days after. Total assessment time: 30 days	No on-site time needed. Average time to manually enter data: 30 minutes.	5–7 days in the field, with 2 consultants. Total assessment time: 3 weeks	Generally 5 days on-site with 2 analysts. Total assessment time: 22 days	4–5 days on-site with a minimum of two analysts. Total assessment time: 16–25 days
Disclosure of Results	Results are disclosed only with consent of MFI and ACCION.	All PEARLS data is strictly confidential unless consent is otherwise granted.	Reports are available free of charge with the MFI's agreement on their website at <a href="http://www.planetfinance.org">www.planetfinance.org</a> .	One-page report summary reportedly available on website at <a href="http://www.microrate.com">www.microrate.com</a>	Only with permission of MFI
Disclosure of Methodology	The <i>ACCION CAMEL, Technical Note</i> is available from the Microenterprise Best Practices Project website <a href="http://www.mip.org">www.mip.org</a> , and <i>Performance and standards in microfinance: ACCION's experience with the CAMEL instrument</i> is available on ACCION's website at <a href="http://www.accion.org">www.accion.org</a>	Technical guide available from WOCCU at <a href="http://www.woccu.org">www.woccu.org</a>	Available on PlaNet's website at <a href="http://www.planetfinance.org">www.planetfinance.org</a>	Proprietary, not available	Proprietary, not available

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This Focus Note was prepared by CGAP staff and is based on a study of microfinance risk assessment conducted by Robert Pouillot of RCP & Partners for CGAP. We gratefully acknowledge the contribution of Mr. Pouillot, as well as that of the networks ACCION, WOCCU and the microfinance assessment agencies PlaNet Finance, MicroRate, and M-CRIL that collaborated in the initial study and graciously updated the information on their organization and methodology.

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Tiphaine Crenn

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